

MINUTES
Policemen's Pension and Trust Relief Fund
Thursday, April 10, 2008
9:00 a.m.

On Thursday, April 10, 2008, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Bruce Moore	-Chairman
	Farris Hensley	-Secretary
	Brad Furlow	-Member
	Lee Harrod	-Member
	Mike Lowery	-Member
ABSENT:	Sara Lenehan	-Treasurer

Also present were Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capital Management who are Financial Consultants for the Fund, Mr. John Peace and Mr. Dean Overstreet of the Dover Dixon Horne Law Firm who are Legal consultants for the Fund, Mr. Roger Smith who is a Government Relation Lobbyists for the Fund, Mr. Scott Massanelli of the City of Little Rock Finance Department, Treasure Division, Mrs. Kimberly Ransom of the City of Little Rock Finance Department, Collection Division, Mrs. Kathy Lindsey who is the Administrative Technician for the Police Pension Fund. Retired Members of the fund present were Mr. Albert Miller, Mr. John Aquilino, Mr. James Foster, Mr. Jim Edwards, Mr. Charles Simon, and Mr. Rusty Watson.

Mr. Moore called the meeting to order at 9:05 a.m., certifying that a quorum of the Board was present, and that the Media had been properly notified in a letter of April 1, 2008 to the Arkansas Democrat-Gazette.

Copies of the March amended minutes had previously been submitted to Board members. During discussion, Mr. Moore referenced the following comment made by Mr. Harrod on page number three (3), third (3rd) paragraph: *"He said at that time he had explained to the Human Resource Department contact that "Mr. Moore had previously indicated during a Police Pension Board meeting that in cases involving errors made by city personnel, he (Mr. Moore) sometimes would not seek repayment from the affected City Employee."* Mr. Moore asked that the following additional comment from him be included in the minutes immediately following the previously referenced statement of Mr. Harrod: ***"however Mr. Moore indicated that the statement was not accurate."*** Following the Board's review of the amended minutes, Mr. Harrod made a motion to approve them as amended and to include the additional language requested by Mr. Moore. Mr. Lowery seconded the motion and it passed unanimously.

Mr. Overstreet reported on the lawsuit concerning past benefit increases, and said that during the past thirty (30) days stipulations have been exchanged in regard to "key" facts about the case. The Plaintiffs Attorneys had disagreed with stipulations that Mr. Overstreet had previously submitted, and returned a substituted version, however he had not had an opportunity to review them. Additionally, Mr. Overstreet explained that Plaintiffs always have the burden of proof by a preponderance of evidence, and that he is reluctant to stipulate to anything unless he absolutely knows that it is accurate.

Minutes

April 10, 2008

Page 2 of 5

He said that prior to trial there would be additional discovery, and possibly future oral depositions. Following the report, Mr. Overstreet excused himself from the meeting at approximately 9:40 a.m.

At the March meeting, Mr. Peace had been asked by the Board to research the legal definition of “fines”. At the current meeting, he reported to the Board that he had reviewed Arkansas State Statute 24-11-413 that provides Police Pension Funds with ten percent (10%) of fines and forfeitures, excluding court cost. The statute however, references subchapter 16-13-701 which very explicitly defines the term “fines”, to include all monetary penalties imposed by the courts of this state, fines, court cost, restitution, probation fees and public service work supervisory fees. He said that in his opinion the term “fines” is clearly broad enough to include probation fees.

Mr. Furlow asked Mr. Moore how to best resolve the matter since the City of Little Rock has administrative control over the court systems in regard to the allocation of fines and forfeitures collected. Mr. Moore asked that the matter be tabled until the May meeting, to allow time for a review by the City Legal Team.

Mr. Hensley said that Mr. Scott Massanelli reported during the March Pension meeting that the Pension Fund does not currently receive ten percent (10%) of fines collected for disabled parking, illegal parking, no liability insurance, or proof of liability insurance. Mr. Hensley asked Mr. Peace to research the matter to determine if statutory authority currently exists for such exemptions. Mr. Peace said that he would research the matter, and provide a report at the May meeting.

Mr. Jordan, Mr. Middleton, and Mr. Brister of Stephens Capital Management gave a March 2008 financial report, and said that on March 31, 2008, the market value of the total Fund was \$60,658,126. This represents a decrease in the account balance of (\$239,236.00) since February 29, 2008. The component of this change was income of \$204,402.00. There were net contributions/withdrawals of (\$268,984.00). The Funds overall market rate of return for the month of March 2008 was (0.13%), and (4.05%) year-to-date through March 31, 2008. On March 31, 2008, \$24,156,261.02 was allocated to DROP.

Upon concluding the previous segment of the report, Mr. Brister reported on the fixed income aspects of the market, and said that at times it has been abnormally volatile, and that the economy appears to clearly be in the first stage of a recession, however they are starting to see a little improvement in the form of liquidity, but expects to experience additional problems. He explained that although the Federal Reserve avoided calling it a bail out, they closed a twenty-nine (29) billion dollar transaction during a recent weekend that effectively bailed out Bear Stearns (BSC). Mr. Middleton said that the Federal Reserve allowed JP Morgan to borrow twenty-nine (29) billion dollars from the Federal Reserve Window by putting up securities as collateral. He said this was accomplished by using powers that were enacted during the depression. When asked by Mr. Hensley, what would have happened if the Federal Reserve had not provided the bail out, Mr. Middleton said that the net result would have been a “global financial melt down”. Mr. Middleton told the Board that although the Funds portfolio has some exposure to such financials, it has no sub-prime exposure, rather holds FDIC insured securities, and the majority of assets held are some of the largest diversified pools of assets in the market place. In closing, he told the Board that although much of the information within the market place has not been positive, he believes that overall the Funds portfolio has performed relatively well.

Minutes

April 10, 2008

Page 3 of 5

During discussion Mr. Hensley asked if the Funds portfolio had any precious metal derivatives to provide further diversification, and hedge against future inflation. Mr. Jordan said that the Funds portfolio did not have Precious Metal derivatives; however Mr. Middleton said that it would be reasonable to have some exposure to such derivatives, and said that they would check into the matter.

Mrs. Lindsey informed the Board that no nominations had been received for Trustee Board Position Number Two (2) currently held by Mr. Lowery, and Trustee Board Position Number Four (4) currently held by Mr. Furlow. Mr. Harrod made a motion to appoint by acclamation Mr. Lowery and Mr. Furlow to an additional two-year term. Mr. Hensley seconded the motion and it passed unanimously.

During the March Pension Board meeting specific legislative matters for the upcoming legislative session were discussed with Mr. Roger Smith, the Funds Government Relation Lobbyist. The issues included, identifying a portion of funding from the insurance premium tax allocation that could be used to financially assist Police Pension Funds who wish to voluntarily seek a three percent (3%) Compound Cost of Living (COLA) merger with the Local Police and Fire Retirement System (LOPFI), capture a portion of assessed civil penalties, and probation fees that would be consistent with the ten percent (10%) currently received from fines and forfeitures, annual ethics reporting for Municipal Police Pension Fund Board Members to be consistent with State Ethics guidelines, language to specifically allow for stored property to be auctioned via internet sales, allow renewal of drivers license and automobile license to be with-held until outstanding fines are paid, clarify the act in regard to an effective date of July 1, 2007, in relation to benefits being paid, via Qualified Domestic Relation Orders (QDRO) to a former spouse upon the death of a member. Also discussed, was to extend the benefit to disability retired Police and Fire members, by amending the act that currently allows county property taxes to be frozen for individuals on social security disabilities, however Mr. Smith said that such Police and Fire disability retirements could possibly be currently included in the existing act. Following discussion all legislative matters were tabled until May.

At the current meeting Mr. Smith discussed the various legislative issues with the Board. He said that he had talked to a Legislator who would be willing to assist in getting legislative drafts prepared of the various proposals. He also explained that he had discussed the disability issue in regard to county real estate property taxes with the attorney assigned to the state assessment coordination division who functions as state coordinator with county assessors. The attorney had explained to Mr. Smith that currently the law requires that a person be completely and totally disabled to qualify under the act. There was further discussion concerning disabilities as they relate specifically to law enforcement officers. All legislative matters were tabled until May.

Upon request from Mr. Moore, the issue concerning reimbursement of dental insurance premiums was tabled until May.

Previously submitted to Board Members were copies of the un-audited balance sheet report year-to-date through March 31, 2008. The report indicated that on March 31, 2008, the total account fund balance was approximately \$60,828,987.52, of which \$24,156,261.02 was allocated to DROP. The net loss year to date through February 29, 2008, was (\$4,730,228.05).

Also submitted were copies of the March 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$8,358.85 for the month of March, and

Minutes

April 10, 2008

Page 4 of 5

\$19,501.46 calendar year through March 31, 2008. Legal fee expenditures paid during the month of March 2008 were \$6,391.50, and totaled \$12,070.00 year to date through March 31, 2008.

Following review of the March 2008 un-audited balance sheet report, and March 2008 expense and legal fee report, Mr. Hensley made a motion to approve the reports as submitted. Mr. Furlow seconded the motion and it passed unanimously.

Matters concerning the upcoming National Conference on Public Employee Retirement Systems (NCPERS) Educational Conference to be conducted from May 16, 2008 through May 22, 2008 were tabled until May.

Mr. Hensley made a motion to remove Mr. Eugene Griffin who passed away on March 29, 2008, from the pension rolls, approve a \$6,500.00 death benefit, and to extend the Boards condolences to the family. Also included in the motion was to approve the widow application of Mrs. Betty Griffin effective April 1, 2008 in the monthly amount of \$1,182.44. Mr. Furlow seconded the motion and it passed unanimously.

Mr. Hensley told the Board, that if there were no objections he would prepare a Benefit Increase Resolution for consideration at the May meeting. There were no objections.

During a previous meeting, Mr. Hensley had informed the Board that his administrative assistant, Mrs. Amber Johnson would be resigning due to other personal commitments, effective April 1, 2008. At the current meeting, Mr. Hensley told the Board that he had considered the matter, and made a motion to hire Mrs. Kathy Lindsey on a contract basis for the same amount of \$250.00 monthly that had previously been paid to Mrs. Johnson. Mr. Harrod seconded the motion and it passed unanimously.

At the March meeting, Mr. Hensley informed the Board that Mr. Donnie McHughes had recently contacted him, and submitted a letter of resignation. Arkansas Statute provides that when a vacancy occurs during a term currently being served, it is a responsibility of the Board to appoint a member to serve the remainder of that term. The Board decided to announce the pending vacancy, and seek nominations from members interested in serving out the remainder of the term that concludes in May 2009.

At the current meeting, Mrs. Lindsey informed the Board that six (6) members had submitted their names to be considered for the Board position. They were, Mr. James Foster, Mr. Clem Papineau, Mr. Charles Simon, Mr. John Aquilino, Mr. Albert Miller and Mr. Jim Edwards. All of the members were present at the meeting, with an exception of Mr. Papineau.

At the current meeting, Mr. Harrod suggested that each individual member meet with the Board separately to discuss their interest in serving on the Board, however they were informed that it was a public meeting, and did not have to excuse themselves from the meeting room. The Board met with each member present, and discussed their interest in serving on the Board. There was then a Board discussion concerning the best process to select one of the previously referenced members to fill the vacated Board position. It was determined that any member of the Board would be allowed to make a nomination, and the nominee receiving the most votes would fill the vacant position. Mr. Albert Miller and Mr. Jim Edwards were nominated, and the vote was recorded as: Mr. Harrod, Mr. Lowery and Mr. Moore voted for Mr. Miller, and Mr. Hensley and Mr. Furlow voted for Mr. Edwards. Mr. Miller was selected to fill the vacant Board position. The Board thanked each of the members for their

Minutes

April 10, 2008

Page 5 of 5

interest in serving, and found it unfortunate that only one could be selected when all were very capable of serving.

Upon conclusion of Pension Board business, Mr. Hensley made a motion to adjourn the meeting. The motion was seconded by Mr. Lowery and passed unanimously. The meeting adjourned at approximately 10:44 a.m.

Respectfully submitted,

Farris Hensley, Secretary